

**Statement of Representative Kenny Marchant
October 24, 2007
Committee on Financial Services hearing on “Legislative Proposals on
Reforming Mortgage Practices”**

Thank you Chairman Frank for holding this hearing today. I applaud the Chairman for his goal of putting an end to predatory lending.

Unscrupulous lenders taking advantage of hapless borrowers must be stopped. However, the rhetoric on this issue has reached such a fever pitch that it seems that many are now equating predatory lending with sub-prime lending. This is incorrect. Sub-prime lending represents the road to homeownership and the American dream for millions of Americans who would otherwise not be able to get a mortgage. In Congress’s ever-present urge to rush and “do something” about the sub-prime issue, I believe that we will end up hurting the very people we are trying to help.

Before now I always thought this was conventional knowledge, but let me state that foreclosures are not good for anyone involved. When a house is foreclosed upon, it hurts the consumer that took out the mortgage, it hurts the originator of the mortgage and it hurts everyone all the way into the secondary market. This is why it is already not in

anyone's best interest to make a loan that the consumer cannot repay. I do not believe we need any new laws to tell us that.

In addition, the vague language in this bill coupled with the increased liability prescribed will add up to a huge surge in lawsuits, which will lead to dried up credit for the very people this bill purports to help. The sub-prime market will cease to exist and the bipartisan goal of increasing homeownership in America will slip out of reach.

I believe a much more cautious approach than this bill is warranted. Thank you for my time Mr. Chairman and I look forward to the testimony.